

DEPARTMENT OF TRANSPORTATION
**Proposed Wharfage
Rate Increases**
NOVEMBER 2016

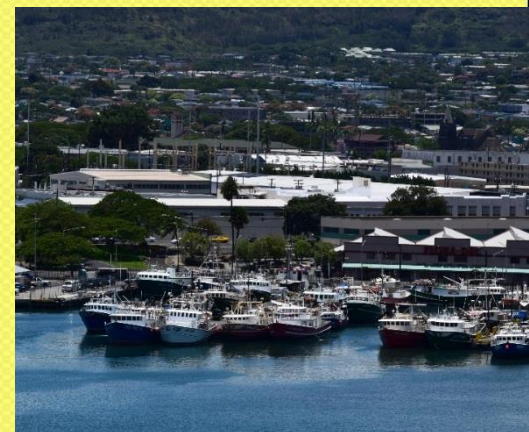




HAWAII'S COMMERCIAL HARBOR SYSTEM

**BRINGS IN 98% OF ALL
GOODS IMPORTED
INTO HAWAII**

**THE SYSTEM MUST
COVER ALL ITS OWN
COSTS TO OPERATE
10 COMMERCIAL
HARBORS**



**USER RATES MUST BE
INCREASED TO FUND
NEEDED IMPROVEMENTS
SO THE HARBOR SYSTEM
CAN ADEQUATELY
SUPPORT THE STATE'S
ECONOMY**

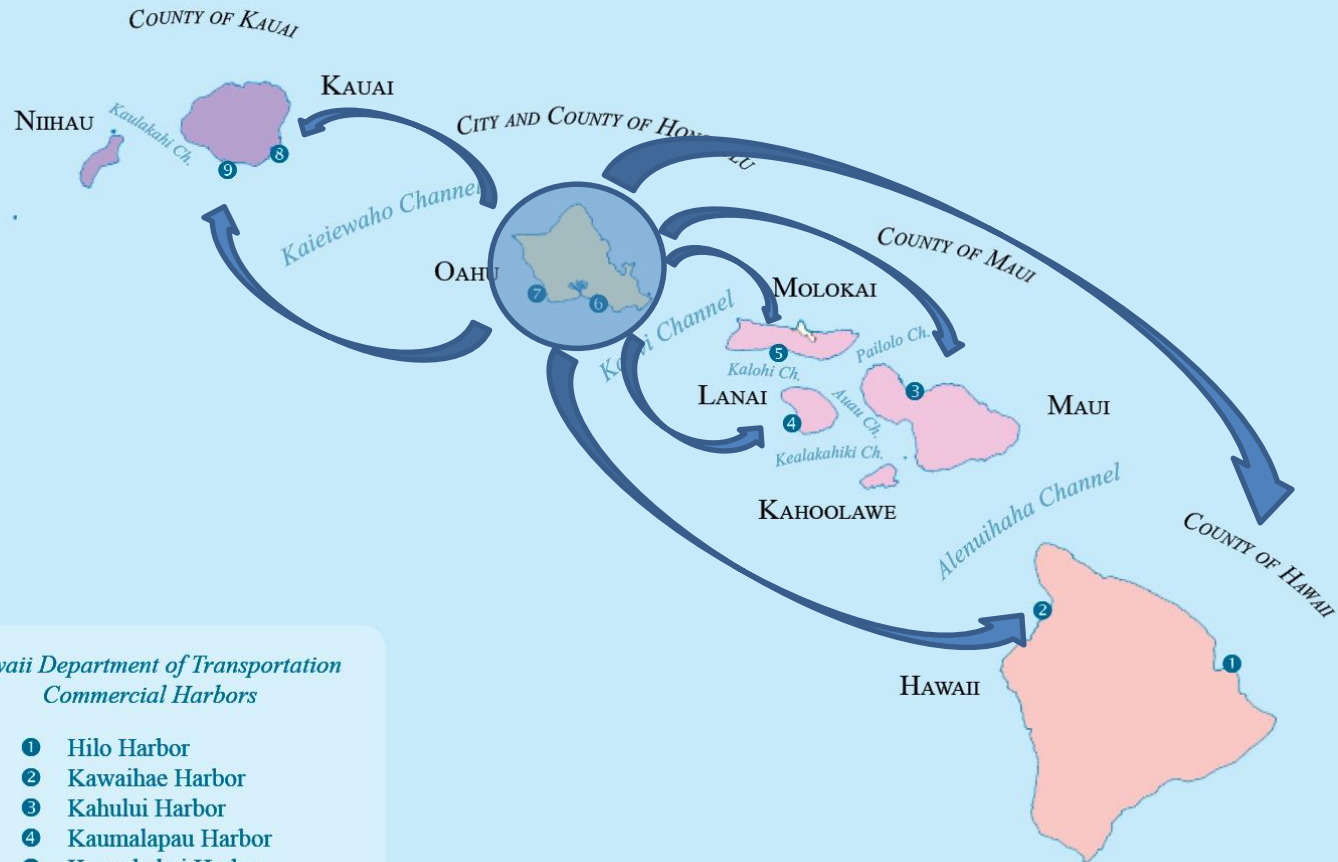


The Harbors & Hawaii

- The harbors system is Hawaii's lifeline
 - 80% of goods consumed are imported
 - 98% enter Hawaii through the Harbors
- Every resident of Hawaii relies on the goods that arrive through the harbors
 - Food, fuel/energy, necessities



A hub-and-spoke system

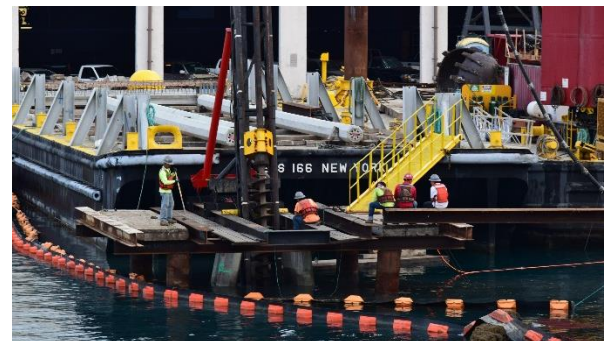


*Hawaii Department of Transportation
Commercial Harbors*

- ① Hilo Harbor
- ② Kawaihae Harbor
- ③ Kahului Harbor
- ④ Kaunakakai Harbor
- ⑤ Kaunakakai Harbor
- ⑥ Honolulu Harbor
- ⑦ Kalaeloa Harbor
- ⑧ Nawiliwili Harbor
- ⑨ Port Allen Harbor

A Financial Snapshot

- Receives no federal or state funding
- Annual operations cost: **\$97M**
- **247** Staff members run the system
- Charges harbor use fees to cover costs
- **ALL** collected fees, tariffs, and rent are re-invested into the harbor system



Our Financial Responsibility

- Since 2010, we changed how we manage the system's finances
- We have **\$137M** in cash reserves for emergencies/disasters
- We defeased (paid off) old bonds with extra cash reserves
- We have strong bond ratings (A+, A2)
- We can finance future projects at lowest costs and interest rates possible

DEPARTMENT OF TRANSPORTATION HARBORS DIVISION

Summary of Financial Results and Projections (FY 2012-2018)

Fiscal Year	(\$000s)						
	AUDITED				Unaudited	Projected	
	2012	2013	2014	2015	2016	2017	2018
Operating Revenues							
Services	\$71,951	\$82,622	\$92,356	\$98,435	\$105,664	\$107,366	\$129,582
Rentals	28,980	27,922	26,720	23,413	23,049	23,853	24,839
Other revenues	2,946	2,127	2,262	1,361	898	898	898
Total Operating Revenues	\$103,877	\$112,671	\$121,338	\$123,209	\$129,611	\$132,117	\$155,319
Operating Expenses Before Depreciation	\$43,170	\$47,203	\$47,560	\$46,805	\$47,621	\$51,905	\$67,379
Income from Operations Before Depreciation	\$60,707	\$65,468	\$73,778	\$76,404	\$81,990	\$80,212	\$87,940
Add ⁽¹⁾ :							
Interest income ⁽²⁾	\$801	\$867	\$673	\$1,454	\$1,624	\$1,550	\$1,454
Revenues Available for Debt Service	\$61,508	\$66,335	\$74,451	\$77,858	\$83,614	\$81,762	\$89,394
Harbors System Revenue Bond Debt Service ⁽³⁾	\$27,770	\$31,531	\$31,528	\$31,176	\$31,187	\$30,816	\$35,671
Reimbursable General Obligation Bond Debt Service	3,381	3,381	3,381	3,381	3,381	3,381	3,381
Total Harbors Debt Service per Bond Ratings Agenc	\$31,151	\$34,912	\$34,909	\$34,557	\$34,568	\$34,197	\$39,052
Aggregate Debt Service Coverage ⁽⁵⁾	1.97	1.90	2.13	2.25	2.42	2.39	2.29



A Financial Snapshot

- FY 2015
 - **\$123 M** in revenue to the harbors
 - **76%** of revenue (\$93.6 M) derived from wharfage rates
- Future
 - **\$450 M** must be financed with bonds to cover the costs of the Harbors Modernization Plan (HMP)
 - **Bond financing requires additional revenue now from increased fees**

Acting Now for Hawaii's Future: ACT 200 (2008)

Approved by the Governor
on JUN 20 2008

THE SENATE
TWENTY-FOURTH LEGISLATURE, 2008
STATE OF HAWAII

ACT 200
S.B. NO. 3227
S.D. 2
H.D. 1
C.D. 1

A BILL FOR AN ACT

RELATING TO HARBORS.

BE IT ENACTED BY THE LEGISLATURE

1
2 SECTION 1. To meet
3 harbors division of the
4 provide suitable harbor
5 turn ensures the efficie
6 goods imported into the
7 our state's lifeline. I
8 service the largest shar
9 Hawaii's aging commercia
10 our growing economy, and Hawaii's commercial wide are
11 experiencing competition for berthing rights for cargo, fuel,
12 and cruise ship activities, and severe congestion in harbor
13 facilities. Harbor users, the state administration, and the
14 legislature recognize that it is now extremely critical to

“...Hawaii's aging commercial harbor system has not kept pace with our growing economy, and Hawaii's commercial ports statewide are experiencing competition for berthing rights for cargo, fuel, and cruise ship activities, and severe congestion in harbor facilities.”



The Harbors Modernization Plan **ACT 200 (2008)**

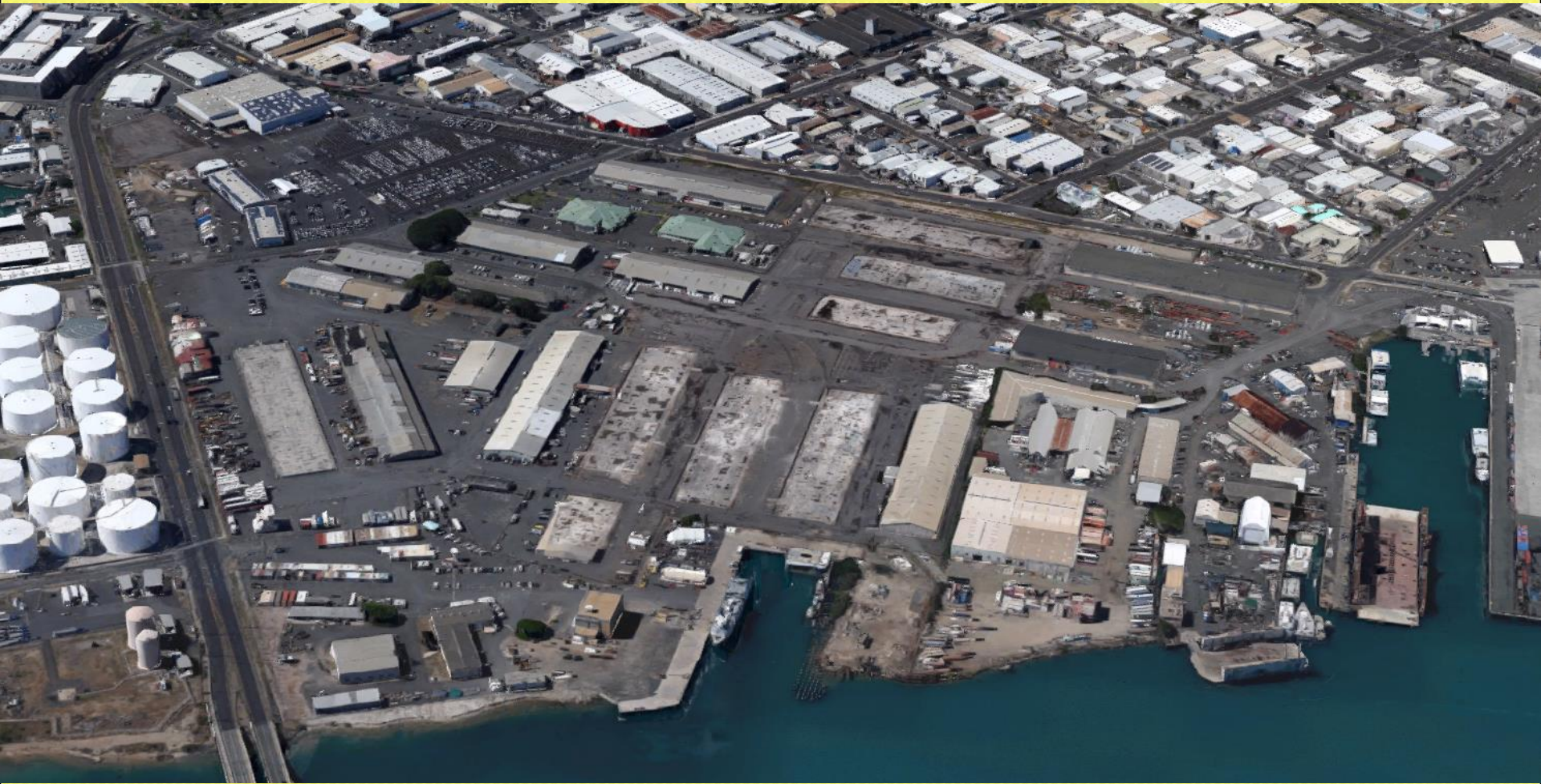
- Supported by Legislature, industry
- Expands the harbor system capacity – both the “hub” and “spokes”
- Addresses advancements in industry – shifts to containers
- Makes system more adaptable
- Addresses congestion and lack of available space

Harbor Modernization Plan:

KAPALAMA CONTAINER TERMINAL

- The heart of the HMP, harbor system
- Locates a cargo yard in Kalihi in addition to Sand Island
- Construction to begin Spring 2017
- Project to be completed in two phases over 4 years
- Supports greater efficiencies which will allow for decreased costs
 - Example: No drayage costs

HONOLULU HARBOR: KAPALAMA CONTAINER TERMINAL ACT 200 (2008)



HONOLULU HARBOR: KAPALAMA CONTAINER TERMINAL ACT 200 (2008)



2010-2016 Harbor Users' Moves for Kapalama Container Terminal



Kapalama

Downtown

UH SOEST

Sand Island

Pacific Shipyards and Atlantis

Marine Spill Response Corp.
Clean Island Council

Harbor Modernization Plan

ACT 200 (2008)

2010 RATE INCREASE: \$150 M BOND + CASH

- Completed Projects & Costs
 - **\$13 million** Honolulu Piers 12 & 15
 - **\$20 million** Honolulu Pier 35 (UH SOEST)
 - **\$1 million** Honolulu Pier 39 Shed Demolition
 - **\$5 million** Kapalama Structures Demolition
 - **\$19 million** Kapalama Design, Pre-construction
 - **\$21 million** Kalaeloa Land Acquisition
 - **\$3 million** Kalaeloa Fuel Pier Planning
 - **\$8 million** Kawaihae Pier 2 Terminal Improvements



Harbor Modernization Plan

ACT 200 (2008)

2010 RATE INCREASE: \$150 M BOND + CASH

- Ongoing Projects & Costs
 - **\$6 million** Honolulu Piers 24-28 Utility Improvements
 - **\$51 million** Hilo Pier 4 Cargo Terminal
 - **\$15 million** Kahului Land Acquisition
 - **\$1 million** Hana Pier Planning
- Staffing Costs
 - **\$7 million** or 5%

Proposed Amendments to Chapter 19-44, HAR

- Reduces transshipment rates from 100% to 50% of the prevailing wharfage rate
- Increases wharfage rates by 17%, 15%, and 15%, 2017-2019
- Increases pipeline rates for cement, liquids, fuel by 17%, 15%, and 15%, 2017-2019
- Authorizes annual increases 3% or CPI rate starting July 1, 2019
- Adds security fee to wharfage fee schedule to cover compliance with Homeland Security/Coast Guard requirements for harbor facilities

Proposed Rate Increases

- TBD 2017 - 17% increase
 - Effective date depends on rules approval
- 7/1/2017 – 15% increase
- 7/1/2018 – 15% increase
- 7/1/2019 + – 3% increase or CPI rate



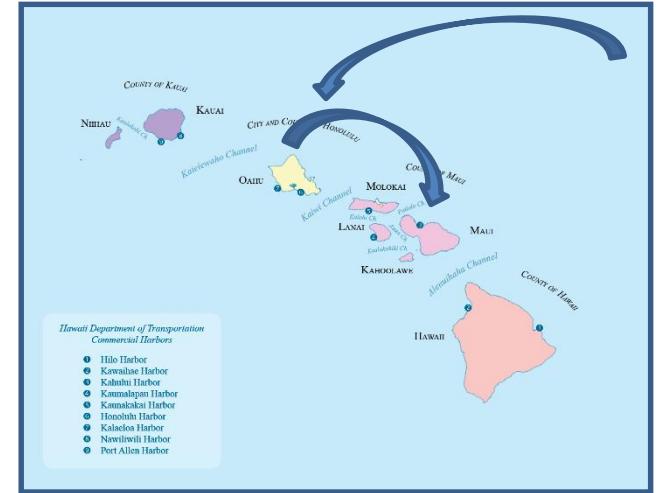
- **Item:** 40-foot container of household goods from the U.S. Mainland directly to Kahului

- **Increased rate:**
\$208.69



What do the new rates look like?

- **Item:** 40-foot container of household goods from the U.S. Mainland through Honolulu to Kahului
- **Current rate:**
\$378.15
- **Increased rate:**
\$440.55



What do the new rates look like?

- **Item:** A personal car shipped from Honolulu to Nawiliwili
- **Current rate:**
\$41.80
- **Increased rate:**
\$48.70



ANY QUESTIONS?

